



Fundación Juan Diego/FinComun Project

Strengthening Micro-Businesses of Low-Income Families in Mexico City

No. 6

The *Fundación Juan Diego* (FJD)/*FinComun* project (ME-418) is an example of the kind of grassroots development initiative supported by the Inter-American Foundation (IAF) that benefits the poorest and most forgotten communities. With small loans and resources leveraged from Mexican and US corporations, FJD has established an alternative banking institution for under-served people and their micro-businesses, especially women with no access to traditional banking services.

SMALL LOANS STRENGTHEN MICRO-BUSINESSES

Fundación Juan Diego, a non-governmental organization governed by a nineteen-member board of directors from educational, legal, and financial institutions, as well as non-governmental organizations, created *FinComun* (Community Financial Services) as a savings and loan institution to provide credit to micro-entrepreneurs with no access to traditional credit and loans from commercial banks. *FinComun's* mission is to expand savings accounts of depositors and to use increased deposits to expand loans to low-income entrepreneurs.

With IAF funds, *FinComun* operates in the Delegación Iztapalapa, one of the poorest areas in Mexico City, where 90 percent of the population lives in poverty. Annual family income ranges from \$1,800 to \$3,600, and less than 54 percent of all children finish elementary school.

PARTNERING WITH NATIONAL AND US CORPORATIONS

FinComun has mobilized resources to expand credit to micro-entrepreneurs. Key alliances have been established with Mexican private sector entities and US corporations. For example, Bankers Trust and J.P. Morgan are contributing \$93,000 to support *FinComun's* operations and equipment.

Mexican businesses such as INTELSYS of Mexico have provided \$398,046 and made substantial in-kind contributions for equipment, training, and technical assistance. Mexican corporations have established accounts with *FinComun*, and their officers have opened personal accounts as well as served on *FinComun's* governing committee.



Petra Rodríguez Guerrero, recipient of an \$800 loan for her fruit and vegetable stand. (Photo: Courtesy of *FinComun*.)

FINCOMUN ACHIEVED AN IMPRESSIVE RECORD

During 1999, the project's first year, *FinComun* achieved an impressive record:

- 1,362 micro-entrepreneurs and their families, each with an average annual household income of \$2,000 or less, received loans averaging \$750; i.e., a total of 2,678 small loans totaling \$1.2 million were channeled to low-income families for small commercial activities ranging from fruit and vegetable stands to seamstress shops and grocery convenience stores.
- 52 percent of loans awarded were to low-income women.
- \$636,000 mobilized for project activities, including \$398,046 from the Mexican private sector, \$216,670 from *Fundación Juan Diego*, and \$21,285 from *FinComun's* financial operations. These funds are in addition to the IAF grant.
- The savings of 5,373 individual depositors, with an accumulated balance exceeding \$500,000, were used, in part, to fund small-scale enterprises in the barrios.
- Six new branch offices, fully equipped, were opened.
- Twenty-two new staff members were hired and trained in management, banking, loan administration, and accounting practices.

- Loan default rate of 1%, lowest in *FinComun's* history.

INTANGIBLE RESULTS ALSO WERE ACHIEVED

The project has improved the quality of life of its beneficiaries and their communities in important ways.

- Self-esteem and confidence by women owners of small businesses have increased considerably, according to their own testimony.
- The knowledge that they—women—are permanent contributors to the household income, or have the resources to buy school supplies and other necessities for their children, signify immense intangible rewards for them.
- These low-income families now have both a savings institution where their money can earn market-level interest rates and a lending institution where they can obtain loans for their businesses.



FinComun's branch office in Delegación Iztapalapa. (Photo: Courtesy of *FinComun*)

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